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ISMECA MALAYSIA SDN BHD

v.

MICHEAL GERARD PETERSON & ORS

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HIGH COURT MALAYA, SEREMBAN
AHMAD NASFY YASIN JC
[CIVIL SUIT NO: 22-94-2005]
1 FEBRUARY 2012

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CONTRACT: *Breach - Confidentiality agreement - Defendants former employees of plaintiff - Plaintiff's drawings claimed to have been used by defendants as their own work - Major similarities between drawings from both parties - Plaintiff claimed breach of confidential information - Whether drawings confidential in nature - Whether disputed copied*

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drawings belonged to plaintiff - Whether defendants had access to disputed drawings

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The plaintiff, whose business involved the manufacturing of automated industrial equipment and components, trading of spare parts and kits of services, claimed that the defendants, who were former employees of the plaintiff, have breached the terms of the contract by using and exploiting confidential information belonging to the plaintiff, namely 13 drawings ('drawings in dispute'). On the upper left-side of the plaintiff's drawings, there is a notice which states that 'this document contains confidential proprietary information that is ISMECA property. Do not disclose to or duplicate for others except as authorized by ISMECA.' PW1, PW2 and PW6, the designers of the drawings in dispute, had testified to the following evidences: (a) the drawings approved by PW1 in bundle C was not simple and not common in the industry but was common only to the plaintiff's semi-conductor and the part number of the drawing is the same in the quotation given by the defendants to their customer; (b) the drawings drawn by PW2 in bundle C were the same as the drawings of the third defendant; and (c) the drawings by PW6 were parts of the machines and for the purposes of ISMECA Malaysia's machines. The counsel for the defendant had submitted that the plaintiff had failed to prove that the defendants had access to the drawings in dispute. The issues that arose were (i) whether there was confidential information and whether the information belonged to the plaintiff; and (ii) whether the first and second defendants had access to the drawings which were confidential in nature.

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Held (allowing plaintiff's claim with costs):

(1) According to the evidence by PW1, the drawing was not simple and not common in the industry but it was common only to the plaintiff's semiconductor as it was a specific module and the shape was specifically to the plaintiff's module and design. The drawings of the third defendant were exactly the same in concept and finishing as the drawings by PW2. Further, the drawings were only sent to the employees of the plaintiff and not to any customer or clients of the plaintiff. All these drawings also had the template notice that 'this is confidential property that is ISMECA property, do not disclose to or duplicate for others except authorized by ISMECA.' Therefore the confidential information did belong to the plaintiff. (paras 29-31)

(2) The first and second defendants were former employees of the plaintiff, who had in their respective letters of appointment, signed and accepted all the forms and conditions of the offer, including the 'Non-Disclosure Condition.' Thus, an employee has a duty of confidence in respect of confidential information whereby the employee will not either divulge or make use of the confidential information for his own personal benefits. (*Tiu Shi Kian & Anor v. Red Rose Restaurant Sdn Bhd; Hotel Jaya Puri Bhd v. National Union of Hotel, Bar & Restaurant Workers & Anor*) (para 32-33)

(3) With the first defendant's previous role of running the sales organization and business development and the second defendant whose role included providing technical support, they clearly had access to the assembly/technical drawings which were the drawings in dispute. (para 33)

Case(s) referred to:
Coco v. Clark [1969] RPC 41 ***(refd)***
Faccenda Chicken Ltd v. Fourler [1987] 1 Ch 117 ***(refd)***
Hotel Jaya Puri Bhd v. National Union of Hotel, Bar & Restaurant Workers & Anor [1979] 1 LNS 32 HC ***(refd)***
Merry Weather v. Moore [1892] 2 Ch 518 ***(refd)***
Tiu Shi Kian & Anor v. Red Rose Restaurant Sdn Bhd [1984] 1 CLJ 325; [1984] 2 CLJ (Rep) 543 HC ***(refd)***
Universal Thermosensors Ltd v. Hibben & Others [1992] 1 WLR 840 ***(refd)***

Legislation referred to:
Evidence Act 1950, s. 114(g)

For the plaintiff - M/s Damian SL Yeo & LC Goh
For the defendants - M/s Zailan & Co

Reported by Baizura Abd Razak

JUDGMENT

Ahmad Nasfy Yasin JC:

[1] It was generally accepted that there are those who went to great lengths to seek knowledge and of course there are others who have no compunctions in taking a shorter route by way of copycats. This case is about knowledge and information which one party says that belonged to whilst the others claim that they are the originator of the information.

[2] In the locus classicus case of *Coco v. Clark* [1969] RPC 41, on the obligation of a recipient of information, Megarry J ruled that:

> ... It seems to me that if the circumstances are such that any reasonable man standing in the shoes of the recipient of the information would have realised that upon the information was being given to him in confidence, then this should suffice to impose upon him the equitable obligation of confidence ...

[3] Having heard the parties herein I had allowed the plaintiff's claim with costs. Dissatisfied, the defendants now appealed to the Court of Appeal.

Factual Background

[4] The plaintiff is the subsidiary of Ismeca Holding SA, where the latter holds 2499998 of 2500000 of shares in the plaintiff's company.

[5] The plaintiff's type of business is that of manufacturing of automated industrial equipment and components, trading of spare parts and kits provision of services.

[6] The design, technical drawings and technical information necessary to manufacture the automated industrial equipment, components and spare parts, are classified to be highly confidential.

[7] To protect their confidential information, at the left-side upper corner of each of plaintiff's drawings there are notices that state:

> This document contains confidential proprietary information that is ISMECA property. Do not disclose to or duplicate for others except as authorized by ISMECA.

[8] The plaintiff contends that there is an express term and alternatively an implied term in all employment contracts between the plaintiff and its employees that they shall not reveal any of the confidential information, drawing, trade secret, etc. of the company to any third party without prior approval in writing from the company.

[9] In its statement of claim the plaintiff claimed that the 1st and 2nd defendants, being former employees of the plaintiff had breached the terms of the contract by using and exploiting confidential information belonging to the plaintiff, as follows:

No.	Part Number	Part's name
1.	4101263	Cover Track Right TS 80P8/14/16
2.	4101264	Cover Track Left TSSOP8/14/16
3.	4101262	Track TSSOP8/14/16
4.	4101270	Track Short TSS0P
5.	4101265	Clamp Upper W=8.5
6.	2254218	Nest_NT_MD107550P8
7.	2237053	Rotary Nest
8.	1260090	Cylinder (Airpel)
9.	2252438	Air Track
10.	2247233	Air Track
11.	2252429	Dead Spot
12.	2253916	TLNR Cover
13.	2253917	TLNR Cover
14.	0836.73.119.01.4	Tube 16/14.Table
15.	0836.73.121.01.4	Tube
16.	0836.73.121.01.4	Tube
17.	0836.73.100.01.4	Tube 16/14116x60

[10] It is the plaintiff's case that the defendants have exploited the confidential information resulting in losses to the plaintiff.

Application To Amend During Trial

[11] During the trial the plaintiff had attempted to include the words "di antaranya" at para, 17 and para. 20(a) of the statement of claim. After hearing oral submissions from both parties, I had rejected the plaintiff's oral application.

[12] In any event, from the pleading, I found that even though the drawings from Item No. 14-17 and other confidential information were not listed in the particulars at para. 17 of the plaintiff's statement of claim, the plaintiff has actually pleaded the other drawings at para. 20(b) in the following words:

> (b) Satu perintah bahawa Defendan-Defendan memberi satu akuan bagi jumlah reka bentuk, lukisan teknikal dan segala maklumat teknikal mengenai alat-alat ganti untuk peralatan perindustrian automasi yang lain milik Plaintif yang berada dalam milikan mana-mana satu daripada mereka.

Thus, in my respectful view, all drawings in bundle B and bundle C, are relevant and that the defendants are not caught by any surprise as to the particulars of the confidential information that the plaintiff referred to.

The Plaintiff's Case

[13] The plaintiff's evidence was led through eight witnesses, namely Micheal Jacques Andre Charpie (PW1), Philippe Manie Constant Brishoux (PW2), Osier Valeric (PW3), Gottfried Rudoft Stauffer (PW4), Catherine Chong Mee Yong (PW5), Chong Kin Meng (PW6), Phong Kim Han PW7) and Thierry Erne (PW8).

[14] PW2 and PW6 were the designers of the drawings. Their evidence briefly, are as follows:

(i) PW1 testified the drawing at p. 42 and 58 of bundle C as the drawing drawn by R Glavan and subsequently approved by him. He stated that the drawing was not simple and not common in the industry but is common only to plaintiff's semi conductor as it is a specific module and the shape is specifically to the plaintiff's module and design. The number 2278410 in the captioned is the number of the raw part that is specific only to the plaintiff. He also stated that the part

number of the drawing is 2252429, which is the same with the quotation given by the defendants to their customer GEM SHANGHAI at p. 22.

(ii) PW2, the engineer who drew the drawings at p. 38, 54, 61, 62, 63 of bundle C testified that the drawings of the third defendant from pp. 23, 24, 25 are exactly the same. He further stated that the drawings at p. 23-26 are manufacturing parts of Ismeca as he was the designer but the view is a mirror of his design and the components and the dimensions are all the same. The concept and the finishing are also the same as the plaintiff. PW2 showed that the part number 2237053 at POS 1 at p. 22 of bundle B is the same with the part number of the drawing at p. 54. During his re-examination, he testified that the drawings were only sent to the employees of Ismeca and not to any customer or client of Ismeca.

(iii) PW6 worked directly under the plaintiff from the year 1996-1999. He testified and confirmed himself as the designer who drew the drawings at p. 48, 49, 50, 51, 52. He further stated that all the drawings are parts of the machines and for the purposes of Ismeca Malaysia's machine. All these drawings have the template showing "this is confidential property that is Ismeca property, do not disclose to or duplicate for others except authorized by Ismeca". PW6 also explained the concept of reverse engineering as being the process of taking an existing design and improving on it.

[15] The plaintiff also called two of its suppliers namely PW3 and PW4. From these witnesses the following emerged:

(i) PW3 is the supporting and consulting contractor for feeding base design for the plaintiff and Ismeca Headquarters. He said that the second defendant by the initial of HL Lee emailed him requesting the bowl SOT23-3 and specifically requested plaintiff's bowl with Ismeca reference number: 7530504 for ten pieces (refer p. 65 of bundle C). At p. 66 of bundle C, the second defendant clearly showed that he had the drawing belonging to Ismeca. A reference to this evidence is crucial whereby the following statements are present:

> [i]s the reference # 7530504 ok for you or do you need samples to try out? Are those accessories included in the bowl such as baladeur, rondelle, resort camp. De=3.30

A Df=0.4? How are some information where I have, example: (1) MAP drawing is 2245349, Rondelle pour chic, (2) SOT23 drawing is 0164.01.104 (3) Baladeur drawing is 0164.01.110.

B According to PW3, the second defendant also specifically stated that he wanted the bowl for his potential customers to replace the bowl on Ismeca's machine. This clearly shows that the defendants are trying to manufacture machine tools similar to that of Ismeca and to sell them to their customers. PW3 C first thought he was approached directly by Ismeca's clients and only later he realized that he was actually dealing with ex-employees of Ismeca.

(ii) PW4 is the director of Cosmos Schild & Co, the manufacturer or sub-contractor for the plaintiff or Ismeca Holdings SA. He D said that documents in year 2004 from p. 84-104 of bundle C were documents relating to business transactions between Cosmos and Existech. He had business transactions with the defendants because he thought they were a supplier to the E plaintiff as the drawings were identical to the plaintiff's and that the pieces were similar. Thus, the machine parts have been manufactured and shipped to the third defendants. When told that the defendants were not the supplier of the plaintiff or the parent company, PW4 then stopped business F relationship with the defendants. PW4 also alluded to p. 93 of bundle C which is the invoice of Cosmos supplying the defendants Tube Upper Blowing with part number 9802029A1 and 9802030A1. And at p. 94 is the purchase order of the 3rd defendant requesting for tube upper blowing of part G number 9802029 and Tube 16/14 of part number 9802030. All these tools were supplied by Cosmos to the plaintiff as they are designed by the plaintiff.

[16] PW7 is the manager of the Management Information System (MIS) of the plaintiff since year 1997 and was in charge with H taking care of the administration of the computer system including monitoring the information system with the Ismeca worldwide group, such as the computer network, application training and support. He confirmed that exhs. PTA and PTB respectively were MIS hardware and software loan form of the first and second I defendants. These documents are forms that Ismeca created to track all of Ismeca's computers assets that they loaned to Ismeca

Employees. PW7 also confirmed that the first defendant as well as the second defendant will have access of the technical drawings and database.

[17] PW8, the Vice President for Technology Worldwide of Ismeca explained the similarity between plaintiff's drawings and defendant's drawings. This explanation was given by way of demonstrations which have aided me considerably in giving the basic understanding of the technical aspects of the case.

[18] PW8 further states that what the plaintiff is selling is an equipment to an electric test device, to mark the name of the device, or to check the dimension of the device. For easy reference, the multiple components of the plaintiff and defendants are shown at p. 61, 62, 63 bundle B and p. 64 bundle C and p. 26 bundle B (figure 5, 6, 7, 8)

[19] The plaintiff's drawing at p. 61 has no notes on dim tolerances, angle and break all edges. This is because the drawing is an assembly drawing and it does not need the notes to control the tolerance. Likewise the defendant's drawing has the dim tolerance of +0.1, angle +0.1 break all edges 0.3 x 45, which makes no sense. The drawings at p. 62 bundle C and p. 24 bundle B, p. 63 bundle C and p. 25 bundle B as well as p. 64 bundle C and p. 26 bundle B also have the same similarity. Hence, by comparing the differences one can find in the other competitor's machine which shows that these machine tools can be designed and produced in a different way.

The Defendant's Case

[20] Counsel for the defendant submitted that the plaintiff failed to adduce any evidence that the defendants has or have access to the 13 drawings as pleaded in the statement of claim. The plaintiff has also failed to adduce any evidence that the defendant(s) has/have downloaded and/or saved the information of the pleaded 13 drawings.

[21] In respect of the evidence given by PW6, the plaintiff did not address to the following evidence given by PW6, namely:

(a) the concept is not originated from PW6

(b) the concept could be from the other company's work

(c) the drawings made by PW6 were improved from existing concept

[22] The defendants contended that from the evidence of PW6, it is clearly shown that such drawings purportedly drawn by PW6 cannot be said to be confidential information. It is also crystal clear that the plaintiff is not entitled to claim ownership or proprietorship to such drawings where the drawings are based on concepts belonging to the other company and PW6 was merely making improvement of property owned by the 3rd party and claimed ownership over it.

[23] In respect of PW3's evidence, the defendants stated that it shows as follows:

(a) That the 2nd defendant purportedly requested PW3 to manufactures parts being the reference number 7530504.

(b) Such request clearly supported that the 2nd defendant and/or 3rd defendant could not manufacture that part by himself or itself.

(c) Therefore if the defendants have such drawings, the defendants need not approach a 3rd party (PW3) to manufacture the said part.

(d) At p. 52 of the notes of evidence, it clearly shows that the sender of the email had asked PW3 to build a bowl in accordance with the sender's specification and the search of the email did not ask PW3 to build Ismeca's bowl.

[24] The defendants further canvassed that they have no access to the drawings on the followings reasons:

a. At p. 117 of the Notes of Evidence, PW7 admitted that the file shown to this court was a file created in the year 2010.

b. Clearly, such a file purported to support the plaintiff's contention that the 1st and 2nd defendants had access to the database cannot be accepted as both the 1st and 2nd defendants had already left the company years ago.

c. Further to that, the plaintiff has failed to adduce any evidence as requested by the defendants in the notice to produce requesting for the production of log files to support the plaintiff's contention that the defendants have downloaded those allegedly confidential information.

d. Therefore, the defendants requested this court to invoke s. 114(g) of the Evidence Act 1950 against the plaintiff. Hence the evidence given by PW7 should be disregarded by this Court.

[25] In respect of similarity between plaintiff's drawings and the defendant's drawings and also both machines, the counsel for the defendants submit as follows:

a. The demonstration by PW8 cannot be treated as part of the evidence.

b. When PW8 referred to the drawings at pp. 61, 62, 63 and 64 of bundle C, those drawings are not pleaded in the plaintiff's statement of claim. Therefore these evidences are irrelevant and ought to be disregarded.

Issues

[26] The facts alluded to above, to my mind, call into question the following issues, which I shall now turn my attention to:

(i) Whether there is confidential information and whether the information belonged to the plaintiff.

(ii) Whether first and second defendants had access to the drawings which are confidential in nature.

(iii) Similarity between plaintiff's drawings and defendant's drawings and also both machines.

Findings Of Court

Issue I – The Confidential information

[27] Having examined carefully the documentary evidence and the oral evidence of witnesses, it is my finding that the technical information including the drawings, at all times belonged to the plaintiff. I also accept that the plaintiff being a subsidiary company of Ismeca Holding SA owns the designs, the technical drawings and technical information to manufacture automate industrial equipment, components and spare parts that are highly confidential. The endorsement at the upper corner, left side, of each page clearly categorized these information as confidential information.

[28] The plaintiff has listed 13 technical drawings in the statement of claim and other confidential information which is not particularised in the pleading but at the same time covered under para. 20(b) and (c) as well as four drawings in bundle 'B' and 'C' which was marked as P1.

[29] I have carefully scrutinized the evidence of plaintiff's witnesses in particular PW1, PW2 and PW6. I accept the evidence of PW1 who stated that the drawing at p. 442 and 58 of bundle C drawn by R Calavan and subsequently approved by him. According to him the drawing was not simple and not common in the industry but it is common only to plaintiff's semi-conductor as it is a specific module and the shape is specifically to the plaintiff's module and design. For example number 2278410 in the captioned is the number of the raw part that is specific only to the plaintiff. This part is the same with the part number of the drawing 22529 which the defendants had given in the quotation to their customer Gem Shanghai (refer p. 22 of bundle C).

[30] Having carefully observed the manner in which the evidence was given, I have no hesitation in accepting the evidence of PW2, the engineer who drew the drawing at pp. 38, 54, 61, 62, 63 of bundle C who also stated that drawings of the third defendant from pp. 23, 24, 25 are exactly the same in concept and finishing. Furthermore, these drawings were only sent to the employees of Ismeca and not to any customer or client of Ismeca. This evidence to my mind is in accord with the evidence of PW6, who drew the drawings at pp. 48, 49, 50, 51, 52 and has confirmed that all the drawings are part of the machines and for the purposes of Ismeca Malaysia's machine. All these drawings have the template notice that: "this is confidential property that is Ismeca property, do not disclose to or duplicate for others except authorized by Ismeca."

[31] Hence, in view of the evidence of the plaintiff's witnesses, I hold that the confidential information belonged to the plaintiff.

[32] It is also not in dispute that an employee has a duty of confidence in respect of confidential information whereby the employee will not either divulge or make use of the confidential information for his own personal benefits. (Refer case *Tiu Shi Kian & Anor v. Red Rose Restaurant Sdn Bhd* [1984] 1 CLJ 325; [1984] 2 CLJ (Rep) 543, *Hotel Jaya Puri Bhd v. National Union of Hotel, Bar & Restaurant Workers & Anor* [1979] 1 LNS 32.

Issue II – Whether The 1st And 2nd Defendants Had Access To The Drawings Which Are Confidential In Nature

[33] There is undisputed fact that the 1st and 2nd defendants are ex-employees of the plaintiff. The 1st defendant was formerly the plaintiff's assistant procurement engineer and the 2nd defendant was formerly the production executive. In their respective letter of appointment, they had signed, agreed and accepted all the forms and conditions of the offer, which includes the "non-disclosure condition' (refer p. 13-19 bundle B). It is also the express term and an implied term in all the employment contracts between the plaintiff and its employees that they shall not reveal any of the confidential information, drawings, trade secret, etc of the company to any third party without prior approval in writing from the company. See *Faccenda Chicken Ltd v. Fourler* [1987] 1 Ch 117, CA; *Merry Weather v. Moore* [1892] 2 Ch 518; *Universal Thermosensors Ltd v. Hibben & Others* [1992] 1 WLR 840.

[34] There are also undisputed facts as regards to the role of the 1st defendant in the plaintiff's company. The 1st defendant's role was running the sales organization and doing business development. His area of work and responsibility, including time tuning of retrofits, internal buy off with engineering and buy off with customers. The nature of his job clearly shows he will have access to the assembly/technical drawings as he is the engineer tasked to train his staff. This was testified and confirmed by PW7, Mr Phong the Management Information System (MIS) Manager where he clearly showed DW1 had access to the engineering data from Malaysia, Switzerland and USA under the group called Assembly Production. In the case of the 2nd defendant's role was to include improvement of skills of assembly engineers and their knowledge of Ismeca Product and from case to case to provide technical support to the sales as far as the new retrofit is concerned.

[35] I find that on the balance of probabilities, PW3, PW4 and PW7's evidence has supported the plaintiff's case. First, PW3 did confirm that 2nd defendant by the initial of HL Lee emailed him requesting the bowl SOT23-3 and specifically requested ten pieces of the plaintiff's bowl with Ismeca reference number: 7530504 (refer to p. 65 of bundle C). At p. 66 of bundle C, the second defendant clearly showed that he had the drawings belonging to Ismeca. The second defendant also specifically stated that he

wanted the bowl for his potential customer to replace the bowl on Ismeca's machine. This shows that the defendants were trying to manufacture machine tools similar to Ismeca and to sell them to their customers. Secondly, without the drawings, the defendants will not be able to manufacture the bowl as they comprises about 20 components with different reference numbers and the bowl is the main piece and part of the engine of Ismeca's machine. Thirdly, PW4, the director of Cosmos B Schild & Co testified that documents dated in the year 2004 from pp. 84-104 of bundle C were documents relating to business transactions between Cosmos and the defendants. He had business transactions with the defendants because he thought that they were the suppliers of the Plaintiff as the drawings were identical to the plaintiff's and that the prices were also similar. (Refer p. 93 bundle C). Fourthly, PW7 referred to P7A and P7B which are MIS hardware and software loan forms of the 1st and 2nd defendants. These documents are forms that are available in Ismeca computers' assets that they loaned to Ismeca Employees. PW7 also confirmed that the 1st and 2nd defendants will have access to the technical drawings and the technical database. In short, based on the audio visual evidence available before me it is my finding that the 1st and 2nd defendants had access to the plaintiff's drawings which are confidential in nature.

Issue III - Similarity Between Plaintiff's Drawings And Defendant's Drawing And Also Both Machines

[36] The counsel for the defendants contented that based on D6 the electronic mail sent by PW6 regarding tapping, deep loader and unloaded, there was nothing confidential as these parts are common parts of the automation industry and that the plaintiff cannot claim for something which are common parts. I find this argument to be misconceived and against the weight of evidence. In my judgment the content in D6 are parts which are to fulfill the process required by semiconductors and these parts might be common in the automation industry but the content in D6 are irrelevant to PW6's drawing or any drawing because the plaintiff is not claiming the confidential information on the process of manufacturing ICs or the end product of the machine. In fact what the plaintiff is claiming is in regards to the machine tools which are part of the plaintiff's machine and the information is confidential in nature!

[37] PW8's evidence clearly shows the comparison between the two drawings at p. 61 bundle C and p. 23 bundle B, the plaintiff's drawing at p. 61 has no notes on dim tolerances, angle and break all edges. This is because the drawing is an assembly drawing and it does not need the notes to control the tolerance. Whereas the defendant's drawings had the dim tolerance of #0.1, angle #0.1 break all edges 0.3x45, which the defendants failed to explain. It is similar in pp. 62, 63, 64 bundle C and pp. 24, 25, 26 bundle B. According to PW8, the defendant's drawings show slight modifications and revision but the drawings are still the same bearing with the same part number. Thus, I find that there are clear similarities between plaintiff's drawing and defendants drawing and also both machine.

Conclusion

[38] For the reasons cited above, the plaintiff's claim against the defendant is allowed with costs.